

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

AMEMBASSY BRASILIA

AMEMBASSY ISLAMABAD

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AMEMBASSY MEXICO

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AMEMBASSY BUENOS AIRES

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AMEMBASSY OSLO

AMEMBASSY PRETORIA

AMEMBASSY QUITO

AMEMBASSY STOCKHOLM

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VIENNA ALSO PASS SALSBURG

FOLLOWING REPEAT STATE 79749 ACTION AMSTERDAM ATHENS BERN BONN

BRUSSELS CANBERRA THE HAGUE HONG KONG LONDON OTTAWA NASSAU

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PARIS ROME SINGAPORE TEHRAN TEL AVIV TOKYO EC BRUSSELS

INFO OECD PARIS 19 APR.

QUOTE

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E.O. : 11652 N/A

TAGS : EFIN

SUBJECT: FOREIGN REGULATION OF FOREIGN BROKERS AND UNDER-
WRITERS

REF : DEPARTMENTS' A-1911, MARCH 7, 1974

1. UNDER THE DIRECTION OF THE COUNCIL ON INTERNATIONAL ECONOMIC POLICY, AN INTERAGENCY WORK GROUP ON INTERNATIONAL FINANCIAL COMPETITION IS EXAMINING THE COMPETITIVE ASPECTS OF THE SECURITIES INDUSTRY IN THE UNITED STATES AND ABROAD. AS ONE ASPECT OF ITS ASSIGNMENT, THE WORK GROUP IS SEEKING TO ASSESS THE EXTENT TO WHICH U.S. BROKERS AND UNDERWRITERS ARE AFFORDED NATIONAL TREATMENT IN FOREIGN DOMESTIC MARKETS, SO THAT IT WILL HAVE A CLEARER PERCEPTION OF THE EXTENT TO WHICH RECIPROCITY IS PRESENT BETWEEN THE U.S. AND FOREIGN COUNTRIES IN THIS FIELD. IN A SENSE THIS ACTIVITY IS AN EXTENSION OF THE WORK BEING DONE IN THE FIELD OF INTERNATIONAL BANKING, AND THE WORK GROUP'S INTEREST IN FOREIGN CONTROLS ON U.S. BROKERS AND UNDERWRITERS PARALLELS ITS INTEREST IN FOREIGN CONTROL OF U.S. BANKS.

2. ACTION ADDRESSEES ARE REQUESTED TO REPORT ON THE HOST GOVERNMENT'S LAWS, REGULATIONS, AND PRACTICES (AS WELL AS PRIVATE EXCHANGES WHERE APPLICABLE) RESPECTING FOREIGN BROKERS AND UNDERWRITERS AND, IN PARTICULAR, WHETHER THEY PUT U.S. BROKERS AND UNDERWRITERS IN THE LOCAL MARKET AT A

COMPETITIVE DISADVANTAGE VIS-A-VIS FIRMS OF THE HOST COUNTRY OR OF THIRD COUNTRIES ALSO ESTABLISHED IN THE HOST COUNTRY. LEGAL CITATIONS WOULD BE HELPFUL. WASHINGTON AGENCIES ARE INTERESTED NOT ONLY IN DIRECT CONTROLS BUT ALSO IN INDIRECT CONTROLS, SUCH AS RESTRICTIONS ON THE INTRODUCTION OF FOREIGN STAFF, METHOD OF PUBLICITY, ACCESS TO THE PUBLIC, ETC. PLEASE REPORT MEASURES MAINTAINED AT THE STATE AND LOCAL LEVELS AS WELL AS NATIONAL MEASURES
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THAT HAVE THE EFFECT OF PUTTING U.S. BROKERS AND UNDER-
WRITERS AT A COMPETITIVE DISADVANTAGE. ALSO ADVISE WHETHER U.S. BROKERS AND UNDERWRITERS ARE SUBJECTED TO UNOFFICIAL PRESSURE OR RESTRAINTS (FOR EXAMPLE, FORCED GENTLEMEN'S AGREEMENTS WITH THE LOCAL INDUSTRY ON WAYS OF CONDUCTING BUSINESS OR RESTRICTIONS ON EXCHANGE MEMBERSHIP) THAT PUT THEM AT A PRACTICAL DISADVANTAGE.

3. WASHINGTON AGENCIES UNDERSTAND THAT BROKERS ARE EXCLUDED FROM THE EC COUNCIL DIRECTIVE OF JUNE 28, 1973, ON THE ABOLITION OF RESTRICTIONS ON FREEDOM OF ESTABLISHMENT AND SERVICES OF BANKS AND OTHER FINANCIAL INSTITUTIONS, AND THAT LIBERALIZATION OF THE ACTIVITIES OF BROKERS WILL BE THE SUBJECT OF A FUTURE DIRECTIVE. REPORTING ON THE DEVELOPMENT OF THIS DIRECTIVE WOULD BE APPRECIATED.

4. ALTHOUGH CONTACT WITH KNOWLEDGEABLE GOVERNMENT SOURCES MAY PROVE NECESSARY, NO FORMAL STATEMENT OF REQUEST OR PURPOSE SHOULD BE MADE TO HOST GOVERNMENT. REPLIES ARE REQUESTED WITHIN 30 DAYS OF THE RECEIPT OF THIS INSTRUCTION. PLEASE PROVIDE ITERIM REPLY IF DELAY IS ANTICIPATED. KISSINGER
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